



Joint Legislative Audit Committee
Office of the Auditor General



FINANCIAL AUDIT REPORT
SURPLUS MONEY INVESTMENT FUND
YEAR ENDED JUNE 30, 1979

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT **F-441.1**

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

441.1

FINANCIAL AUDIT REPORT
SURPLUS MONEY INVESTMENT FUND
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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S. FLOYD MORI
CHAIRMAN

November 21, 1980

441.1

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the
Auditor General's financial audit report of the Surplus Money
Investment Fund, year ended June 30, 1979.

The auditors are Curt Davis, CPA; Michael Dendorfer, CPA;
Gus Demas; and Tim Bryan.

Respectfully submitted,

Floyd Mori

S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

Attachment

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Surplus Money Investment Fund. This audit was conducted under the authority vested in the Auditor General by Sections 10527 and 10528 of the Government Code.


Chapter 991 of the Statutes of 1945 created the Surplus Money Investment Fund to allow special funds to invest surplus money in the State's Pooled Money Investment Account. The Surplus Money Investment Fund is controlled by the Pooled Money Investment Board, whose members are the State Controller, the State Treasurer, and the State Director of Finance. This board determines whether money deposited in the State Treasury and credited to special funds is surplus--that is, not necessary for immediate use. After this determination, any surplus monies are transferred to the Surplus Money Investment Fund.

AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the balance sheet of the Surplus Money Investment Fund as of June 30, 1979 and the related statement of changes in assets and liabilities for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the Surplus Money Investment Fund at June 30, 1979 and the changes in assets and liabilities for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



WESLEY E. VOSS
Assistant Auditor General

Date: September 26, 1980

Staff: Curt Davis, CPA
Michael Dendorfer, CPA
Gus Demas
Tim Bryan

STATE OF CALIFORNIA
SURPLUS MONEY INVESTMENT FUND

BALANCE SHEET
AGENCY FUND

JUNE 30, 1979

ASSETS

Investment in Pooled Money Investment Account (Note 2)	\$2,861,432,767
Receivables (Note 3)	<u>48,179,034</u>
Total Assets	<u>\$2,909,611,801</u>

LIABILITIES

Accounts payable (Note 4)	\$ 8,453
Due to other funds (Note 5)	<u>2,909,603,348</u>
Total Liabilities	<u>\$2,909,611,801</u>

The notes to the financial statements are an integral part of
this statement.

STATE OF CALIFORNIA
SURPLUS MONEY INVESTMENT FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND

FOR FISCAL YEAR ENDED JUNE 30, 1979

<u>ASSETS</u>	<u>Balance July 1, 1978</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 1979</u>
Investment in Pooled Money Investment Account (Note 2)	\$2,131,819,608	\$8,102,625,350	\$7,373,012,191	\$2,861,432,767
Receivables (Note 3)	<u>34,312,980</u>	<u>161,462,798</u>	<u>147,596,744</u>	<u>48,179,034</u>
Total Assets	<u>\$2,166,132,588</u>	<u>\$8,264,088,148</u>	<u>\$7,520,608,935</u>	<u>\$2,909,611,801</u>
 <u>LIABILITIES</u>				
Accounts payable (Note 4)	\$ 65	\$ 19,569	\$ 11,181	\$ 8,453
Due to other funds (Note 5)	<u>2,166,132,523</u>	<u>7,990,384,248</u>	<u>7,246,913,423</u>	<u>2,909,603,348</u>
Total Liabilities	<u>\$2,166,132,588</u>	<u>\$7,990,403,817</u>	<u>\$7,246,924,604</u>	<u>\$2,909,611,801</u>

The notes to the financial statements are an integral part of this statement.

STATE OF CALIFORNIA
SURPLUS MONEY INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and changes in assets and liabilities of the Surplus Money Investment Fund. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

The Surplus Money Investment Fund is an Agency Fund created to administer the investment of surplus monies of various governmental fund entities on deposit in the State Treasury. Agency Funds are used to account for assets held by a governmental unit as a trustee or as an agent for individuals, private organizations, other governmental units, and other funds.

Assets and liabilities are accounted for on the modified accrual basis. Agency Funds are custodial (assets equal liabilities) and thus do not involve the measurement of operations.

Investment Policy

The Pooled Money Investment Board, whose members are the State Treasurer, the State Controller, and the State Director of Finance, is responsible for the investment policy of the Surplus Money Investment Fund. Under state law, investments made by the Pooled Money Investment Board are restricted to governmental securities, prime quality commercial paper, certain bills of exchange, bank and savings and loan association negotiable certificates, and various insured or guaranteed obligations.

The book values of the investments in securities are established on the basis of amortized cost. This cost approximates market value and permits uniform income accounting and the accurate distribution of interest earnings.

Interest Recognition and Distribution

On a semi-annual basis, after applicable administrative costs have been deducted, all interest and gains derived from investments are apportioned and distributed proportionately to the contributing funds, based upon the amount and duration of their investments.

2. INVESTMENT IN POOLED MONEY INVESTMENT ACCOUNT

The account balance represents the cumulative amount of investment and the undistributed net interest of the participating state funds.

3. RECEIVABLES

This account represents the amount of interest earned applicable to the Surplus Money Investment Fund but uncollected as of June 30, 1979.

4. ACCOUNTS PAYABLE

Accounts payable consist of estimated administrative charges due to the State Treasurer for the fourth quarter of the fiscal year ending June 30, 1979.

5. DUE TO OTHER FUNDS

The June 30, 1979 balance comprises the cash investment and the net undistributed earnings of the participating state funds.

OTHER COMMENTS

As an integral part of our examination, we reviewed the accounting procedures and the related system of internal accounting control to the extent we considered necessary to properly form an opinion concerning the fairness with which the financial statements present financial position and results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enabled us to suggest improvements which would result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the State Controller in conjunction with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

The State Controller generally concurs with the suggested operating improvements and adjusting entries.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps